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August 15, 2006

AGENDA ITEM 3

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Blue Shield of California Regional Council Overview
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. BACKGROUND AND ANALYSIS:**

On May 16, 2006, and June 20, 2006, the CalPERS Health Benefits Committee heard presentations and subsequent recommendations for changes to 13 counties covered under the Blue Shield of California network model HMO. These cost-driven recommendations were made as a result of detailed cost of health care analyses conducted by Blue Shield indicating 5 of the Exclusive Provider Organization (EPO) counties and 8 of the Direct Contract (DC) counties are having a disproportionate impact on the health care costs for the CalPERS-Blue Shield network model HMO. These counties are as follows:

EPO – Colusa, Lake, Mendocino, Plumas, and Sierra
DC – Butte, portions of El Dorado County, Glenn, Mariposa, Napa, San Luis Obispo, San Mateo, and Sonoma

The Blue Shield data analyses indicate that health care costs in EPO counties range from 20% to 100% greater than the average cost of health care in Core HMO counties. In 2005, health care trends are as much as 300% greater than the approximate 8.5% trend experienced in Core HMO counties. The data analyses also indicate that health care costs in 8 DC counties range from 10% to 45% higher than the average cost of health care in Core HMO counties. Health care trends in 2005 were nearly 200% greater than the approximate 8.5% trend in Core HMO counties.

Sharing staff's concerns regarding inadequate lead time for program development, implementation, stakeholder communications, and the Department of Personnel Administration's determination that the Rural Health Care Equity Program would not apply to Blue Shield's recommended Point of Service (POS) benefit design, the Board deferred decisions on Blue Shield's DC/EPO county recommendations for consideration as part of the 2008 rate renewal process.

CalPERS staff and Blue Shield have agreed, as an immediate strategy, to establish and conduct Regional Councils in these 13 counties aimed at:

- ◆ engaging and communicating with appropriate constituent groups,
- ◆ providing transparency and education related to health care cost drivers,
- ◆ soliciting ideas and recommendations for reducing costs, and
- ◆ influencing/impacting provider-based health care costs.

Specifically, Blue Shield is committed to working with CalPERS staff, employers, labor, providers, and members to share data related to high cost services in these counties. As the data become more transparent, community leaders will be asked to work with providers to identify opportunities for cost savings. Blue Shield will prepare data/information for presentation at the meetings, invite and coordinate participants, develop actions plans, and ensure appropriate follow-up activities.

CalPERS staff and Blue Shield have begun the planning process and will conduct the first two Regional Council meetings in September with additional meetings held each month thereafter through June 2007.

Kathlyn Mead, Vice President, CalPERS Sector, Blue Shield of California, will distribute and present the Regional Council project scope and timeline at the August 15, 2006 Health Benefits Committee meeting.

V. STRATEGIC PLAN:

This item supports Goal X of the strategic plan which states, "Develop and administer quality, sustainable health benefits programs that are responsive to and valued by enrollees and employers."

VI. RESULTS/COSTS:

This item is presented for information only.

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